Strategic Management and Small and Medium Enterprises (SMEs) Development: A Review of Literature

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Abstract

Earlier studies have established the importance of strategic management in the development of large corporations while few works have explored the possibility of using strategic management to help develop the critical sector of the economy, Small and Medium Scale Enterprises (SMEs). Where studies are done in this area, they are carried out in the developed economies and little or sparse studies have focused on the developing economies with attendant limitations in scope and methodology. Two divergent strands are noticeable: the first is the Ad Hoc planning, which believes that planning does not need to be structured, regular, comprehensive and constantly reviewed before SMEs development is enhanced, while the strategic planning strand emphasized consistent and formal SWOT analysis as a blueprint for SMEs survival and development. This divergence therefore calls for further studies on how strategic management should feature in the development of SMEs.

Key Words: Strategic Management, Small and Medium Enterprises, Organizational Development.

Introduction

Small and medium scaled enterprises (SMEs) are no longer exempt from environmental conditions that until recently were often the drivers of strategic decisions in large organizations. They now find themselves subject to the same rapid, novel and discontinuous changes that have become amplified due to the exceptional advancement in technology and globalization. The SMEs managers are now subject to real threat and/or possibility that their firm/industry will be the one that is affected by these environmental
discontinuities and as such, are agents of change to the traditional methods in which SMEs formulate and implement their strategic plans in order to prepare for and to deal with the rapidly changing environments that most of them face (Wheelen & Hunger, 1995 and David, 1999). Gibb & Scott (1985) argued that as small business managers adopt a more formal planning process, the breadth of strategic planning can most certainly influence the growth development pathway for the company and provide a framework for enhancing the existing size and capability of the firm.

Although many of these studies have not really established a direct relationship between strategic management, organizational development and SMEs; they have rather provided frustrating results in the relationship between strategic planning and performance of small business (Watts & Ormsby, 1990). Prior studies have consistently claimed that SMEs in general do not engage in formal strategic planning (Stoner, 1983; Shrader & Auken, 1985; Robinson et al. 1984; Hilde & Masurel, 2000) and even those SMEs that attempt to plan strategically tend to only do so sporadically and inconsistently (Sexton & Auken, 1985). However, an instance where strategic management is in practice in SMEs, research indicated that it is informal, unstructured, and irregular, supported by insufficient and ineffective information, usually obtained through informal sources, and reactive rather than proactive (Gibb and Scott, 1985; Flavel, 1991). Moreover, when managers of small businesses engage in strategic thinking, such deliberation is seldom formal due to lack of time, cost, expertise, information, training, education and skills of owner-managers (Robinson and Pearce, 1984; Shrader, et al., 1989).

Thus, this study reviewed existing literatures on the relationship between strategic management and SMEs development categorised into developed countries, emerging countries and Nigerian economy. Other sections are divided into four parts. The second section presents the conceptual issues of strategic management and SMEs. The relevant theoretical reviews were done in the third section. The fourth section review empirical studies based on our specified classifications; and the last section present the concluding part.

Conceptual Review

Strategic Management

The concept “strategic management” deals with how enterprises develop sustainable competitive advantages resulting in the creation of value (Ramachandran, Mukherji & Sud, 2006). Ireland, Hitt et al. (2001) opined that strategic management can be regarded as setting the context for owners-manager behaviour, i.e. the exploitation of opportunities. It involves the formulation and implementation of the major goals and initiatives taken by a company’s top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Nag, Hambrick and Chen, 2007).

More importantly, strategic management provides overall direction to the enterprise and involves specifying the organization’s objectives, developing long-term policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision making in the context of complex environments and competitive dynamics (Ghemawat, 2002). The concept “strategic management” is not static in nature; the models often include a feedback loop to monitor execution and inform the next round of planning (Lamb, 1984; and Hill & Gareth, 2012). More so, it assists firms to make effective decisions and strategies by staying alert to the threats and opportunities in an uncertain and dynamic environment.

Furthermore, strategic management involves the related concepts of strategic planning and strategic thinking. Strategic planning is analytical in nature and refers to formalized procedures to produce the data and analyses used as inputs for strategic thinking, which synthesizes the data resulting in the strategy.
Strategic planning may also refer to control mechanisms used to implement the strategy once it is determined. In other words, strategic planning happens around the strategic thinking or strategy making activity (Mintzberg and Quinn, 1995). They further stated that strategic management is often described as involving two major processes: formulation and implementation of strategy.

Consequently, the formulation of strategy involves analysing the environment in which the organization operates, then making a series of strategic decisions about how the organization will compete. However, formulation ends with a series of goals or objectives and measures for the organization to pursue. Thus, the environmental analysis includes: the remote external environment, including the political, economic, social, technological, legal and environmental landscape; the industry environment, such as the competitive behaviour of rival organizations, the bargaining power of buyers/customers and suppliers, threats from new entrants to the industry, and the ability of buyers to substitute products (Porter’s 5 forces); and the internal environment, regarding the strengths and weaknesses of the organization’s resources (i.e., its people, processes and IT systems) (Mintzberg& Quinn, 1995).

Moreover, the second major process of strategic management “implementation” involves decisions regarding how the organization’s resources (i.e., people, process and IT systems) will be aligned and mobilized towards the objectives. As a result, the implementation results in how the organization’s resources are structured (such as by product or service or geography), leadership arrangements, communication, incentives, and monitoring mechanisms to track progress towards objectives, etc. (Mintzberg& Quinn, 1995). Past studies have argued that strategic management research is greatly concerned with identifying differences among enterprises’ performance by examining their efforts to develop sustainable competitive advantages as determinants of their ability to create value (Ireland, Hitt& Simon, 2003) and identifying the record keeping factor that contribute to a successful financial management (Osotimehin et al., 2012).

Small and Medium-scale Enterprises

As early as the late 1940s, Organization for Economic Co-operation and Development, OECD (2004) noted that the notion of small and medium-scale enterprises (SMEs) was introduced into the development landscape, and the primary aim was to improve trade and industrialization in the present developed nations. Ever since, there has been no consistent definition of SMEs (McAdam and Reid, 2005). This has been one of the key difficulties facing researchers in studying SMEs. Different quantitative (such as the number of employees, capital, profit, energy consumption, sales, value-added and market share) and qualitative (such as managed by owner-managers, lower level of hierarchy and specialization, insufficient financial resources and absence of modern managerial techniques) criteria have been used (Dincer, 1996).

The definitions of SMEs are usually derived in each country, based on the role of SME in the economy, policies and programs designed by particular agencies or institutions empowered to develop SME. For instance, a small business in the developed economies of countries like Japan, Germany and United States of America (USA), maybe a medium or large-scaled business in a developing economy like Nigeria. Moreover, the definition of SME also varies overtime from agencies or developing institutions to another, depending on their policy focus. For example, Table 2.1 gives different definitions of SMEs by Nigerian Institutions.

In an attempt to separate small enterprises from medium enterprises, a Survey Report on MSMEs in Nigeria (2012) defines small enterprises as those enterprises whose total asset excluding land and building are above 5 Million Naira but not exceeding 50 Million Naira with total workforce of above 10 but not exceeding 49 employees. While the medium enterprises are those enterprises whose total asset excluding land and building are above 50 Million Naira but not exceeding 500 Million Naira with a total workforce of between 50 and 199 employees.
Table 1: Definitions of SMEs by Nigerian Institutions

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Total Assets (N'M)</th>
<th>Annual Turnover (N'M)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigerian institution</td>
<td>MSE</td>
<td>SSE</td>
<td>ME</td>
</tr>
<tr>
<td>Federal Ministry of Industries</td>
<td>&lt;200</td>
<td>&lt;50</td>
<td>Na</td>
</tr>
<tr>
<td>Central Bank</td>
<td>&lt;150</td>
<td>&lt;1</td>
<td>&lt;150</td>
</tr>
<tr>
<td>NERFUND</td>
<td>Na</td>
<td>&lt;10</td>
<td>Na</td>
</tr>
<tr>
<td>NASSI</td>
<td>Na</td>
<td>&lt;40</td>
<td>&lt;1</td>
</tr>
<tr>
<td>NASME</td>
<td>&lt;150</td>
<td>&lt;50</td>
<td>&lt;500</td>
</tr>
<tr>
<td>Nigeria Industrial Policy</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
</tr>
</tbody>
</table>


NERFUND: National Economic Reconstruction Fund
NASSI: National Association of Small Scale Industrialists
NASME: National Association of Small and Medium Enterprises

The agency envisaged conflictive position in the classificatory system and opines that the employment based classification will take precedence. In the instance of enterprise with asset worth 52 Million Naira with 47 employees, the enterprise shall be small enterprise.

Table 2 Employment and size information

<table>
<thead>
<tr>
<th>S/N</th>
<th>Size Category</th>
<th>Employment</th>
<th>Assets (N‘Million) Excluding Land and Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Small Enterprises</td>
<td>10 to 49</td>
<td>5 Million to Less than 50 Million</td>
</tr>
<tr>
<td>2.</td>
<td>Medium Enterprises</td>
<td>50 to 199</td>
<td>50 Million to Less than 500 Million</td>
</tr>
</tbody>
</table>


Nevertheless, the most common criterion used in the classification of SMEs is the number of employees since it is easily measurable and readily available. The Commission of the European Communities (1992) recognizes the need for “flexibility” in defining SMEs due to industrial and country differences. European Commission (2005, 2008), defines medium, small and micro enterprises as follows: Medium (with fewer than 250 employees and, and turnover of less than €50 million); Small (with fewer than 50 employees, and turnover of less than €10 million); and Micro (with fewer than 10 employees, and turnover of less than 2 million). From their definition, these ranges do not exactly correspond with many studies sampled (see Tuner, Ledwith& Kelly, 2010) since it was stated that the average turnover per employee is around €100,000rather than the €200,000 implied by these figures. Tuner, Ledwith& Kelly (2010) argued further that the European Commission uses the number of employees as the primary measure of size, of which their findings suggest that the transition from micro to small occur around 15 employees, not 10. However, their findings confirm that the transition from small to medium does occur at around 50 employees, and many companies suffer the crisis of growth at that point.

In regards to the number of workers employed in an enterprise, notable agitations have been made by various scholars and institutions. According to Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2009), a business is defined as small in the manufacturing sector if it employs fewer than 100 employees. As there is no official definition of what constitutes a medium-sized enterprise, McMahon (2001) noted that businesses with between 100 and 199 employees are generally considered medium-sized. Kilby (1965) observes that small and medium scale enterprises are the spring boards for inventions, adaptations and general technological development. Ogundele (2007) observed that SMEs represents 90% of the enterprises of Africa, Carribean and Pacific (ACP) countries. However, they provide 70% of employment opportunities for the citizens and promote the development of local technology.

Kuratko and Hodgetts (2001) have discovered that small businesses employ 53% of the private workforce and accounts for 47% of sales and 51% of private sector gross domestic product.

Having considered different strands of literature, institutions and authors on the concept of SMEs, this paper relies on the definition of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2012) that consider SMEs as an enterprise with an asset value between ₦5 million and ₦500 million excluding lad and building with an estimated number of workforce between 10 and 199. This definition was chosen because it is within the scope of Nigerian economy considering the prevalence economic situation of the market. As it was put by Etuk, Etuk and Baghebo (2014) that SMEs definition based on capital and numbers of employees may be misleading because some may be labour intensive and others be large in terms of capital and assets. Nevertheless, this definition took into consideration the economic, social, political and environmental characteristics of the markets in which SMEs operate.

**Theoretical Review**

This section discusses theories of both strategic management and small and medium enterprises. The theories discussed under strategic management are resource-based theory, survival-base theory, dynamic capability innovative theory and ownership theory. The resource-base theory stems from the principle that the strength of firms’ competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. This theory as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm’s disposal (Penrose, 1959). Barney (1995) agitated further that rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses. The resource-base view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

The survival-base theory is the strategy that firm uses to avoid being exterminated by competitors. One process-sensing, intuition, feeling, thinking- must be developed by a business manager in order to succeed in innovativeness and high intellectual and practical capacity to run his company with bold jump and should be ready to accept the uncertainty (Gibcus, 2003). Basically, the underpinning of survival strategy is that organization needs to continuously adapt to its competitive environment in order to survive. Each decade seems to bring a new way of thinking about the business environment (a paradigm) and new ways of acting (corporate strategies) Brian (1996).

The dynamic capabilities approach was built upon the resource-base theory (RBV) (Teece, Pisano &Shuen, 1990). However, as Priem and Butler (2001) stressed RBV is essentially a static theory since it does not explain the evolution over time of the resources and capabilities that form the basis of competitive advantage. Hence, it is not enough to view a firm as a bundle of resources, but note also the ‘mechanisms by which the firms learn and accumulate new skills and capabilities, and the forces that limit the ratio and direction of this process’ (Teeceet al., 1990). In this sense, Teece et al. (1997) define ‘dynamic capabilities as the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’. Indeed, innovation is considered a critical driver of economic growth in the formulation of the endogenous growth theory (Abosede and Onakoya, 2013).

The ownership theory explains that the ownership structure whether concentrated or diffused ought to be influenced by the profit-maximizing interests. At the level of small and medium scale enterprises, the skills of the owner manager are critical to the long-term success and survival of the firm while the role of the capitalist is usually diffused at the corporate level for large companies. Owner’s manager is the enterprise main strategist and decision maker, developing the vision, mission and strategies, and also implementing them. However, the role of the owner-manager and his attitude towards strategic issues are therefore often
critical for implementation of strategy. Likewise, the personal goals, traits and strategic orientation will have significant impact on enterprise strategy.

The second part of our reviewed theory that is, theories of SMEs are Small is Beautiful Theory by Schumacher (1973); Theory of Economy Development-Place of the Small Business by Schumpeter (1942), Arrow (1962) and Scherer (1967); and Organizational Life-Cycle theory developed by Adizes (1979), Churchill & Lewis (1983) and Miller & Friesen (1984).

The Small is Beautiful theory is a classic critique of the trends towards centralization, corporation, and globalization’s non-sustainability nature. The theory advances the promotion of small-scale economic markets and systems, co-operatives and greater decentralization (Schumacher, 1973). In a similar vein, Paulson (1980) found that the relative size of the small retail firm is associated with horizontal differentiation and levels of complexity. Also, Fullerton (2008) appreciated the observation of Schumacher’s lead in his best-selling book, Small is Beautiful-Economic as if People Mattered, with the opinion that the global system is broken not because of the credit crisis; it is broken because it is predicated on perpetual, resources driven with no recognition of scale limitation. It points out very skillfully what is exactly wrong with the modern industrial society, and offers an alternative; appropriate technology, respect for human values, and especially bringing things back to the small scale.

Indeed, Schumacher (1973) argues that the phrase “too big to fail” makes people think that big business and big government are the optimum. But when people feel a sense of ownership over their work and lives, when they feel truly included in decision that affects them, they are more likely to take genuine care in making things the best way they can be. It is the difference between the mindset of an owner versus a renter.

The theory of economic development-place of small business argues that government has begun to initiate new policies and supports for SMEs growth and development that later turn them into large enterprises following the agitation and needs for SMEs involvement in an economy. Schumpeter (1942) instigated this theoretical viewpoint that states larger businesses are likely to be more productive. Monopolies (which result in larger businesses) tend to have more resources at their disposal for investing in activities such as research and development (R&D), which in turn give rise to innovations and reduce market uncertainties. All things being equal, this perspective indicates that public policies that strive to support and build big businesses would spur innovation and productivity. Conversely, the alternative theoretical perspective of Arrow (1962) contends that smaller businesses are more productive. The author argued that in the presence of competition (such as when a number of smaller firms are competing with each other), the monopolist tends to lose out in innovating, since the rents extracted by maintaining the monopoly power exceeds the benefits of the lower prices brought about by innovation. However, smaller firms will be able to benefit by innovating under these conditions, because the lower prices and costs resulting from innovation leads to competitive advantages in the marketplace.

The organizational life-cycle theory follows the observations of Historians and academics that organizations, like living organisms, have life cycles. A firm life cycle has been used to explain specific areas of size, growth and development, among others (Miller & Friesen, 1984). Also the development of firm life-cycle models has evolved over time (Adizes, 1979; Hanks, et al., 1993). They are born (established or formed), they grow and develop, they reach maturity, they begin to decline and age, and finally, in many cases, they die. Scholars hold different views on the number of stage of life cycle theory as some identified as many as ten stages while some flattened it down to as few as three stages. Most models developed by scholars hold the view that organization life cycle is comprised of four or five stages, summarized simply as birth/existence/start-up, survival/early growth, maturity, survival/decline and death/revival. Study of the organizational life cycle (OLC) has resulted in various predictive models. These models, which have been a subject of considerable academic discussion, are linked to the study of organizational growth and development. Organizations at any stage of the life cycle are impacted by
external environmental circumstances as well as internal factors. Products too have life cycles, a fact that has been long recognized by marketing and sales experts.

The idea necessary is how SMEs and large firms move within to attain maturity and not the stages. The SMEs must win new markets and introduces new products in order to achieve sustainable profit. The moment SMEs starts to grow, Scott and Bruce (1987) noted that they will either plateau off or enter a further stage of expansion in which transitions from a small to a medium or even large firm before reaching maturity. Therefore, the growth cycle of SMEs is a dynamic process involving the combination of a variety of different elements, partially concentrated within the owner-manager or entrepreneur, and partially within the firm itself. For large corporations, they have experts that periodically identify where their business is situated along the measuring stick of the stages of business cycle. In addition, if both begin to enter a decline phase, large firms, most times are able to reverse the slide, thereby turning the “bell shape” of Organizational life cycle to and an “S” curve.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name</th>
<th>Methodology (country/scope)</th>
<th>Objective</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Verbano and Venturini (2013).</td>
<td>Survey, 1999 to 2009.</td>
<td>The study analyzed available literature on the subject of risk management for small- and medium-sized enterprises from 1999 to 2009.</td>
<td>Findings revealed that most studies highlighted greater concern about the financial aspect. They went further that the problem most dealt with is not obtaining a bank credit, but developing an instrument to evaluate the financial solidity of the small enterprise and therefore avoiding the problem of insolvency.</td>
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<tr>
<td>2.</td>
<td>Rahman and Ramos (2013).</td>
<td>Survey monkey where few selected companies were approached in the web based survey, Portugal.</td>
<td>The study highlighted the parameters of challenges that are being faced by the SMEs.</td>
<td>This study found that high wage level is creating scarcity of skilled manpower, which is in effect creating lack of skilled resources and at the same time creating problems in enabling purchasing power due to the prevailing economic crisis; and high cost of open innovation (IO) including knowledge about OI strategies remain as other challenges to the SMEs.</td>
</tr>
<tr>
<td>3.</td>
<td>Bourletidis (2013).</td>
<td>Interviews - Greek SMEs of different sectors.</td>
<td>The study focused on factor that matters in the handling of the information as a strategic means of handling crisis of the SMEs.</td>
<td>Finding revealed that the strategic management of market information has an important influence on the SMEs performance. This provided a wide variety of tools and conceptual frameworks to aid crisis anticipation. The study identified market information available for effective management of the operations of small and medium scale enterprises.</td>
</tr>
<tr>
<td>4.</td>
<td>Lima and Filion (2011).</td>
<td>Descriptive model based on Checkland’s (1999) soft</td>
<td>The study intends to present a more realistic picture of SME environment than the more limited concept of a soft system methodology (SSM) in describing organizational learning and strategic management in SMEs.</td>
<td>The study highlighted the usefulness of a more realistic picture of SME environment than the more limited concept of a soft system methodology (SSM) in describing organizational learning and strategic management in SMEs.</td>
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<tr>
<td>5.</td>
<td>Wang, Walker and Redmond (2011).</td>
<td>Descriptive analysis</td>
<td>They questioned the common approach to understanding this problem based on identifying business barriers to planning.</td>
<td>Findings revealed that ownership motivations are central to understanding the planning practices in SMEs and these are an alternative explanation to the common focus on barriers to strategic planning to account for the lack or low levels of such planning in many SMEs. It was however argued that levels of strategic planning are higher in SMEs which have owner-managers who are growth orientated and lower in those which have owner-managers who pursue non-economic personal agendas.</td>
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<tr>
<td>6.</td>
<td>Pushpakumari and Watanabe (2010).</td>
<td>Data for the research were obtained from a survey of SMEs in manufacturing industry in Japan and Sri Lanka</td>
<td>The study investigated the performance differences and business strategy orientation of small and medium sized enterprises (SMEs) in two Asian economies.</td>
<td>Results indicated that the performance of SMEs varies with the choice of strategy orientation that owner-managers adopt. The study reinforced the usefulness of business strategy orientation to managers/owner-managers of small and medium scale enterprises.</td>
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<tr>
<td>7.</td>
<td>Harrington and Ottenbacher (2010).</td>
<td>Review of number and percentage of strategy-related articles in leading hospitality journals for 2005 – 2009.</td>
<td>The study assessed the level of strategic management topic representation within the academic field of hospitality.</td>
<td>Findings revealed that differences exist among key topic areas of focus when comparing hospitality journals to the sole top-tier business journal focusing on strategy. These differences indicated that researchers in general strategic management tend to focus on less applied and more theoretical notions of strategy whereas researchers in hospitality strategic management tend to focus on more tactical methods when addressing questions of strategy.</td>
</tr>
</tbody>
</table>
| 8. | Kraus and Kauranen (2009). | Descriptive analysis | The study created a better understanding of an intersection between two academic fields i.e. entrepreneurship and strategic management, following past literature findings in these two fields. | The interceptions between the two concepts have shown to be the most successful market entry strategy for new enterprises; whereas the differentiation strategy is likely to gain importance once the enterprise grows. It was concluded that success for any enterprise – regardless of its...
size or age – is highly dependent upon its ability to find a valuable strategic position.

   The study examined the configuration approach to the strategic management of SMEs other than the traditional approach of Industrial economics. The study stipulated that the configuration approach should focus on frame of reference for SME, entrepreneurship research as well as education and training in entrepreneurial behaviour.

   The study reviewed studies on strategic management in the hospitality industry within a 2 year period of 2002–2003. Many of the reviewed papers fell into what may be called conceptual and descriptive. He faulted many of the paper by stating that if this is how the body of literature is going to continue to develop, one should not be optimistic that body of literature will grow significantly. He argued that many complex relationships identified have been reported or gone unnoticed in the literature which would have led to rigorous inquiry and theory building.

**Emerging Economies**

   They consider SMEs as the biggest contributors to GDP that demands full attention from all the stakeholders related to business. They found out that strategic management accounting (SMA) has three phases: to collect competitor’s information about pricing, cost, sales volume, and market share; to reduce cost management; and to develop business strategy. However, these three phases produced competitive advantages for SME so that they can survive in both domestic and global market. Also, it enhanced the survival rate of SMEs in the global world.

   The study observed the importance of entrepreneurship and strategic activities in the SME sector in Kosovo. Empirical findings revealed that a large number of CEOs agreed that various actions undertaken by enterprises in an effort to realize prosperity occur within six domains: innovations, networks, SME internationalization, organizational learning, top management team, and growth orientation. They however concluded that successful entrepreneurship and SME strategic development is conditioned by factors such as: SME leadership, local and central institutions, conditions of financial sector, structure of the SME sector, the
<table>
<thead>
<tr>
<th>No.</th>
<th>Author(s)</th>
<th>Methodology</th>
<th>Findings/Implications</th>
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<tbody>
<tr>
<td>13.</td>
<td>Kee-Luen, Hiam-Yong and Seng-Fook (2013).</td>
<td>Data were collected via an e-mail questionnaire survey on 350 randomly selected small and medium manufacturers in Perak, Malaysia.</td>
<td>The study examined whether by practicing strategic planning, the business performances of these SMEs can be resilient and sustainable over the long term. The results indicated that manufacturing companies that have some form of strategic planning were more likely to perform better from the four perspectives of the balanced scorecard (BSC), namely, learning and innovation, financial, customer, and internal business processes perspectives. They also reported that SMEs are particularly concerned over their financial performances as well as customers’ satisfaction of their products.</td>
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<tr>
<td>14.</td>
<td>Kraus, Reiche and Reschke (2013).</td>
<td>They addressed the question of why SMEs seem to plan less than big companies, whether strategic planning and corporate success correlated with each other and whether strategic planning was a function of increasing company size.</td>
<td>The findings revealed numerous limitations that needed to be taken care of in future research. First, they are often limited to those enterprises that have already been identified as conducting strategic planning or to the surviving enterprises whereas failed companies were not considered (‘survivor bias’). Moreover, the studies’ response rate was usually small with the assumption that questionnaires were mainly returned by those enterprises in which people do think and/or plan strategically.</td>
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<td>15.</td>
<td>Hin, Kadir and Bohari (2012).</td>
<td>Survey, Malaysia (2008-2009)</td>
<td>The study examined the relevance of the formal strategic planning to SMEs and justification for the Wheelen and Hunger (2008) strategic planning model to SMEs in the Asian context. Their findings showed that most of the SMEs have strategic planning that resembles the Wheelen and Hunger strategic planning model, which suggested that the model is applicable to SMEs in Malaysia. Thus, SMEs in Malaysia preferred proactive strategies such as corporate growth strategies and differentiation for their business strategies.</td>
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<tr>
<td>16.</td>
<td>Pricop (2012).</td>
<td>Theoretical paper on Specific methodology for such a demarche: the qualitative analysis (of the existent concepts and theories) in Romania</td>
<td>The paper proposed to identify a more dynamic approach of strategic management theory. This was done by identifying the weak points of the strategic management theory in the context of the current crisis and the necessity to review the limitations of the strategic analysis and planning. Findings revealed that the influence of macro-environment factors during the crisis tends to represent a phenomenon with a stronger impact in the future than in the past because of the rapid and unpredictable changes that they had and the multiplication effect generated.</td>
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<td>No.</td>
<td>Author(s)</td>
<td>Year</td>
<td>Method &amp; Case Study</td>
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<td>17.</td>
<td>Senturk (2012)</td>
<td></td>
<td>110 middle and senior level managers of 32 three-star, 32 four-star and 46 five-star hotels, Antalya.</td>
</tr>
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<td>18.</td>
<td>Ahiaawodzi and Adade (2012)</td>
<td>Survey and Econometric analysis; Ghana</td>
<td>They examined the effect of access to credit on the growth of Small and Medium Scale Enterprises (SMEs) in the Ho Municipality of Volta Region of Ghana</td>
</tr>
<tr>
<td>19.</td>
<td>Amoah-Mensah (2011)</td>
<td></td>
<td>Ordinary Least Square method; 101 firms in Ghana</td>
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<tr>
<td>20.</td>
<td>Zheng (2011)</td>
<td></td>
<td>Finland and China</td>
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<tr>
<td>21.</td>
<td>Agwu and Emeti (2014)</td>
<td></td>
<td>Descriptive research design using 120 SMEs operators.</td>
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<td>22.</td>
<td>Etut, Etuk and Baghebo (2014)</td>
<td>Descriptive</td>
<td>They examined the impact of SMEs on the development of the Nigerian economy.</td>
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<td>23.</td>
<td>Omoluabi and Akintunde (2013)</td>
<td>Survey (750 employees in cement industry) from three Zones (Lagos, Ibadan and Nigerian Economy</td>
<td>The study emphasized the relative roles of strategic management of human capital development in the Nigerian cement sector.</td>
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<td>24.</td>
<td>Abubakar and Yahya (2013).</td>
<td>Ekiti, Nigeria.</td>
<td>They examined how strengthening the Small and Medium Enterprises (SMEs) contributes to poverty reduction in northwestern Nigeria.</td>
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<td>25.</td>
<td>Ogundele, Akingbe, Saka, Elegunde &amp; Aliu (2013).</td>
<td>Nigeria</td>
<td>The study focused on marketing practice of SMEs in Nigeria.</td>
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<td>26.</td>
<td>Ogunstiji (2012).</td>
<td>Survey, 280 SMEs surveyed with 52 questions, 267 questionnaires were returned, Nigeria.</td>
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<td>27.</td>
<td>Safiiyu and Njogo (2012).</td>
<td>Percentage ranking and Chi-square, Survey – 120 surveys, Nigeria.</td>
<td>It examined the impact of SMEs in employment generation.</td>
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<td>Muogbo (2012).</td>
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<td>He investigated the impact of Strategic Human Resource management (SHRM) on small and medium enterprises.</td>
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<td>29.</td>
<td>Akande (2012).</td>
<td>Chi-square and ANOVA; survey of 240 block making enterprises.</td>
<td>He examined the influence of strategic entrepreneurial skills on SMEs in Nigeria.</td>
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Strategic Management and SMEs Development: Empirical Review

Evidence from Developed Economies

McDougall and Swimmer (1997) investigated the strategies for growth and competitiveness pursued by large firms and small and medium-sized enterprises (SMEs). The authors further examined whether the strategies employed differ and if so, whether these differences can help identify problems specific to SMEs. The results indicated that government policies should focus on improving the business climate. Sound macro-economic policies and fair, efficient market framework policies favoured both large firms and SMEs which would be more competitive and prosperous, in creating more jobs. However, some important differences between SMEs and large firms’ business strategies indicated that some specific government interventions might be warranted.

Lee & Habte-Giorgis (2003) empirically examined the sequential relationships between the firm’s strategic factors, export activity, and performance in US manufacturing firms. The main question addressed in this paper relates to how the firm’s key strategic factors such as diversification in product and market, firm size, R&D intensity, and capital intensity influence export activity, and further how the export activity is finally linked to the firm’s economic performance, with respect to diverse dimensions of performance. The results in a sequential model showed that product diversification, R&D intensity, and firm size significantly affect the firm’s export activity. Export intensity, stemming from the company’s key strategic components of business activity, was positively and uniformly related to all aspects of the firm’s economic performance; and export activity moderates the relationships between organization’s strategic factors and firm performance. The study submitted that market diversification does not directly affect exporting, but it sequentially influenced firm performance with respect to market-based performance.

Ketokivi & Schroeder (2004) argued that in order to understand the phenomenon of how innovative manufacturing practices diffuse there is need to invoke theoretical arguments other than the ones that are conventionally used. The study juxtaposes both theoretically and empirically three different theoretical perspectives that can be used to address the phenomenon: strategic contingency, structural contingency and neo-institutional arguments. A preliminary empirical test of the three competing perspectives was tested in a sample of 164 manufacturing plants across Germany, Italy, Japan, United Kingdom and USA. The findings revealed that the institutional perspective had much more of the variance in the practices adopted and implemented by the plants than either the structural contingency or the strategic contingency theories.

Gils, Voordekers & Heuvel (2004) carried out a study in Europe which was conducted among a representative sample of family businesses in Belgium. Their study analyzed a manager’s perception of environmental uncertainty and its link to the family firm’s strategic behaviour. Results indicated that family firm managers do not perceive their environment as a very hostile one. To attain a competitive advantage, most of them opted for a competitive strategy that combines a cost leadership and differentiation perspective.

Ruzzier & Konecnik (2006) presented the theoretical background to internationalization strategies for the case of the hotel industry. However, although the hotel industry’s internationalization has already been
analyzed, the paper presented a rare example of its application to small and medium-sized hotel firms. They proposed a framework for analyzing and understanding the four main internationalization dimensions: operation, market, product, and time in order to reveal the distinctive internationalization development strategies of SMEs. Their findings implied that internationalization was a necessary step for small and medium-sized hotel firms, but each hotel company should find the proper combination of all four dimensions that matches the resources available to it.

The study by Tell (2010) aimed at creating a better understanding of the strategic management behaviour of top managers in small, fast-growing manufacturing firms. Empirical data was collected in Sweden through both a survey of the 100 fastest growing small firms during 2000 and the development five years after (2001-2006), as well as through structured observations of the working days of top managers in six fast-growing manufacturing small firms. The findings showed that managers in small, fast-growing manufacturing firms are engaged in many different activities. However, a few activities took the majority of their time. These activities are either operational (for instance, activities related to production, marketing and sales) or administrative (for instance, activities related to the firms’ personnel and to financial issues). Looking at the managers’ activities from a strategy management point of view, they spent very little time on strategic activities. This finding explained why firm growth in many cases declined or even ceased.

Kutlovči, Shala & Troni (2012) examined the relationship between strategic management and small and medium enterprises (SME) growth in Kosovo in terms of empirical analyses that include various strategic planning elements. It was however concluded that SMEs in Kosovo are using strategic plan as an orientation document for long-term development of their businesses, which means that they had a clear vision and mission of where they wanted to reach in a forthcoming period that usually includes parameters 3-5 coming years.

Evidence from Emerging Economies

Chiew (1998) evaluated strategic planning as a management tool for the small and medium enterprises, with a view to help them achieve a more predictable and stable growth, over the long term. By and large, the usual framework of analysis, choice and implementation of strategy was followed. Emphasis was directed at the threat aspects of competition, which most SMEs had taken for granted. The conclusion drawn was that strategic management is largely relevant to SMEs. Due attention should be paid to threats and crisis handling, such as the vulnerability of SMEs can be reduced.

Kraus & Kauranen (2009) conducted a study to create a better understanding of the intersection of the academic fields of SMEs and strategic management, based on an aggregation of the extant literature in these two fields. The article structures and synthesizes the existing scholarly works in the two fields, thereby generating new knowledge. The result revealed that the majority of SMEs still do not have a written business plan as only 29.5% of the 468 young SMEs in the study had a business plan. The implication is that most of the SMEs without business plan would be prone to disaster as business plan serve as strategy itself. In some cases, after devising the business plan, especially after making the financial calculations, the managers might even find that the business is not likely to succeed and thereby gets the chance not to go into business rather than engaging in one which is ex-ante deemed to fail. Indeed, this can be seen as a most positive outcome of the pre-start-up planning process. The timing in the preparation of the business plan e.g. prior, during and after the funding process should also be investigated.

Pushpakumari & Watanabe (2009) investigated the performance differences and business strategy orientation of small and medium sized enterprises (SMEs) in two Asian economies of Japan and Sri Lanka. The results indicated that the performance of SMEs varies with the choice of strategy orientation that owner-managers adopt. Virtually in all aspects considered in the study, SMEs in Japan performed more than Sri Lanka. This may be attributed to the year of establishment of the firms, where over 62% of SMEs
in Japan are more than 41 years old while half of the SMEs in Sri Lanka fall into the category of 11-20 years of operation.

Senturk (2012) examined how various strategic management tools have helped companies to improve their performance. The survey was conducted on 110 middle and senior level managers of 32 three-star hotels, 32 four-star hotels and 46 five-star hotels that operate in tourism industry in Antalya. The usage level and satisfaction rates of these tools were also analyzed. The author revealed that customer relationship management (CRM), vision or mission statements and total quality management (TQM) were the most used tools in the last five years while CRM, benchmarking and strategic planning are the most used tools currently. The import of this is that plans and projects change the classical structure of thinking and provide different strong, sustainable and long-term returns and form the base of strategic thought.

Zheng (2012) examined the innovation strategy of management concerning a number of small and medium-sized enterprises. The findings revealed that innovativeness did not only happen in high-tech industries, but also can be achieved in traditional low-tech sectors. SMEs in China have more flexibility in operations, more easily adapt to changing markets and execute attack quickly in the face of competition. The success factors of Chinese SMEs are therefore, predicated on the ability to access, transfer, and apply technology.

Lu, Au, Peng & Xu (2013) presented the latest research on strategic management in private and family businesses in Asia Pacific regions. The ultimate goal was to propel research grounded in an Asia Pacific context to contribute to the global discourse of strategic management in private and family businesses. In Japan, a majority of the large corporation such as Toyota and Suzuki were actually developed from traditional family businesses. In fact, some of the newly emerged giants from mainland China, such as Huawei (one of the largest telecommunication equipment maker in the world) and Wanxiang Group (a global leader in the auto parts industry) are also private and family businesses. Studies of strategic management in Asian society have enriched strategic literature by acknowledging the importance of contextual factors to strategy research. Indeed, these contextual factors are assumed to introduce pre-start preferences and constraints on firms strategy formation and execution especially in private and family businesses. Four germane areas have been developed in this regards, which are core competences and competitive advantages, trans-generational leadership, alliance partner diversity, and institutional impact on firms behaviour and performance.

Manurung & Kosasih (2013) carried out a study on SMEs and strategic management accounting in Indonesia where statistics revealed that 9 out of 10 Indonesia’s business is Small, Medium Enterprise sector (SMEs), and that the biggest foundation of Indonesia’s Gross Domestic Product (GDP) came from SMEs sector. The study submitted that through the use of strategic management accounting (SMA), in which the pricing, cost, sales volume, and market share of the competitor became the benchmark for the enterprises to gain competitive advantages in both the local and global market.

In the same vein, Hin, Kadir & Bohari (2013), examined the relevance of the formal strategic planning to SMEs and posited that the Wheelen & Hunger (2008) strategic planning model is applicable to SMEs in the Asian context. The Wheelen & Hunger (2008) strategic planning model provide a clear indication of the complexions and the linear approach that serves as the ideal planning. It is a formal strategic planning suggested by western scholars to be adopted when SMEs are facing uncertainty as large corporations do since they are more vulnerable with less resource. The study was conducted after the Global recession of 2008-2009 and showed that SMEs plan and strategize in the aftermath of an economic downturn. Their findings show that most of the SMEs have strategic planning that resembles the Wheelen & Hunger strategic planning model, which suggested that the model is applicable to SMEs in Malaysia. Thus, SMEs in Malaysia seems to prefer proactive strategies such as corporate growth strategies and differentiation for their business strategies.
Kee-Luen, Hiam-Yong & Seng-Fook (2013) examines whether by practicing strategic planning, the business performances of these SMEs can be resilient and sustainable over the long term. The results indicated that manufacturing companies that had some form of strategic planning were more likely to perform better from the four perspectives of the balanced scorecard (BSC), namely, learning and innovation, financial, customer, and internal business processes perspectives. They also reported that SMEs are particularly concerned over their financial performances as well as customers’ satisfaction of their products.

Teder & Venesaar (1971) examined whether measures taken for strategy formation like managers’ operational duties support factors for positive implementation of intended strategy towards enhancing firms’ performance. Empirical findings revealed that factors hindering organizational growth calls for an increasing need of managers trained in the area of strategic management. The result also showed a direct influence of an enterprise (growth orientation, size, age, capital) and business environment (changes during the transition period, stabilisation) on the activity of the enterprise in the area of strategic management (e.g. formalisation of plans).

Hosamane & Alroaia (2009) examined the relationship between the development of Iranian Small-Scale Industries (SSIs) and managerial performance in terms of strategic management tools. Five decision areas in a manufacturing plant were identified as quality of products, industrial cost, logistic support, ISO, and Management Effectiveness (QCLIM). Each factor has key decisions with various alternatives. Findings indicated that the influence of managerial performance on development of SSIs was noticeable and reflected the high quality of products, lower cost, skills management, production planning and material control in the development of Iranian SSIs.

Amoah-Mensah (2012) studied the strategic resources that have influence on the performance of SMEs in Ghana for 101 firms. Findings suggested that some of the firms’ internal and external resources are important strategic resources. They opined that all the resources can be strategic depending on the type of firm and industry. Verbano & Venturini (2013) analyzed available literature on the subject of risk management for small- and medium-sized enterprises from 1999 to 2009. Findings show that most studies revealed greater concern about the financial aspect. The financial aspect most dealt with is not obtaining a bank credit, but developing an instrument to evaluate the financial solidity of the small enterprise and therefore avoiding the problem of insolvency (Verbano & Venturini, 2013). Therefore, the authors’ findings lend credence to the significant role played by finance in form survival, performance and growth. The inadequacy of finance facing SMEs affects their overall performance and/or other ancillary departments such as production, marketing, sales etc. as they are unable to deliver effectively like their competitors in the market. The problems are further compounded by the firms’ unwillingness to share the firms’ ownership with fund provider due to selfish interest or fear of high jacking their business. Furthermore, the financial needs of the SMEs have been dismally dissatisfied by the formal financial sector due to their stringent requirements.

**Evidence from Nigerian Economy**

In the Nigerian context, Harris & Rowe (1966) examined the origin and performance of indigenous owners of small and medium scale enterprises (SMEs). They found that capital shortage was not a serious problem or deterrent in the development of various industries. The main problems found were poor standard of financial management and production control. In 1971, Harris (1971) examined the structure and performance of indigenous owners of organization. Empirical findings reported that both personal characteristics like gender, educational qualifications and previous experience and environmental determinants such as governmental policies, competitor’s price were the factors that accounted for SMEs emergence and performance in Nigeria. A study looking at the origin and performance of indigenous entrepreneurs, Akeredolu–Ale (1975) also identified two broad categories of factors that affected SMEs as environmental factors and the personal factors.
Aside environmental and personal factors, Osoba (1987) identified other factors affecting the performance of SMEs in Nigeria, some of which are affecting the performance of small business managers/owner-managers; external political legislation; technology; various economic issues; psychological factor in term of individual motivation; education and training; information and counselling support system; management; and cultural environment. Also, Ogundele (2000) viewed entrepreneurship as a multidimensional phenomenon. He found out that the processes of emergence, behaviour and performance of micro and medium scale industries were separately and in combinations affected not by a single but multiple factors, in ranging degrees. These factors are economic, socio-cultural, ecological, managerial, educational development, experiential, technological, structural, ethical and innovative issues.

Subsequently, Adelaja (2002) revealed the importance of SMEs to the development of the Nigerian economy. He pointed out that the developing and underdeveloped countries like Nigeria lack good policies that favour SMEs development. Etut, Etuk & Baghebo (2014) examined the impact of SMEs on the development of the Nigerian economy, and found that the prevailing economic and political conditions have not given room for SMEs to thrive in the Nigerian economy.

Studies were also carried out relative to States in the Nigerian economy. A study carried out by Lawal (2005) focused on management practices of SMEs in Lagos State. The results indicated that SMEs operators are mostly autocratic and participative in leadership styles but are more autocratic than being participative. The author further reported that SMEs are increasingly embracing planning and control practices and are actively involved in business ethics, urban and consumer affairs, but least involved in environmental affairs. Adejuyigbe & Dahunsi (2010) reviewed the state of industrial development in Ondo state, comparing it with other States in the country through a survey. The study identified the problems facing SMEs in the State with regards to availability of credit facility, infrastructures and bad or poor management. Consequently, Akande (2012) used chi-square and ANOVA to examine the influence of strategic management skills on SMEs in Nigeria applying questionnaires among 240 block making enterprises. His finding agrees with that of Oyedijo, (2012) that organizational strategies are highly positively correlated with performance in the sampled SMEs. This study gives additional evidence to Miles and Snow’s model of strategic choices in the small business context.

However, it is important to state that the study is limited to only one industry, which reduces the potential to derive generalizable conclusions as the study was limited to the strategic entrepreneurial skills needed for better performance of SMEs operating in Oyo and Osun, Nigeria. It was concluded that strategic management skill is a new concept in the country that requires much attention.

Similarly, Tiemo (2012) examined the existing strategies of small and medium sized enterprises in Nigeria in order to know if they adopt more of unconscious action or deliberately planned patterned behaviour among 72 SMEs in Delta state, Nigeria. The author used chi-square to study the relationships. Empirical findings noted that the SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities. Also, most of the government interventions failed to create a much needed transformation due to poor coordination and monitoring and policy inconsistencies.

Conclusion and Policy Options

From the reviewed literature on the relationship between strategic management and SMEs development in developed countries, emerging countries and Nigerian economy, there is almost unanimous agreement among studies that strategic management impacts positively on SMEs. Some studies argued that strategy does have weak influence on firms’ performance; nevertheless, their observations are overwhelmed by other scholars that suggest strong relationship. Thus, firms with a clear and consistent strategy will outperform those without formal and comprehensive strategy. In addition, it is noted that SMEs in the developed and emerging economies adopt formal strategic planning and it has become expedient that SMEs
in Nigeria should embrace this blueprint since SME accelerate the pace of economic growth and development. Indeed, the differentiation strategy can also gain importance once the enterprise grows. The success for any enterprises regardless of its size or age, is highly dependent upon its ability to find a valuable strategic position (Thomson, 1999).

Since many of the strategic management instruments were originally developed for large enterprises, SMEs need to adapt and align these tools according to their peculiarities. This concludes that strategic management of market information, ownership, choice of strategy, competitive advantage, planning, and innovativeness have important influence on SMEs development. Scholars have proved that the interception of small and medium entrepreneurial skills and strategic management have been the most successful market entry strategy for new and existing businesses (Kraus and Kauranen, 2009; Abosede and Onakoya, 2013; Krasniqi and Kume, 2013; and Onakoya and Abosede, 2013) as this guarantees growth-oriented start-ups but not for “mom and pop” small businesses as stated by Cooper (1979).

Furthermore, it was observed that studies are often difficult to compare with each other due to their differences in terms of enterprise type, field of industry, sample size, company size or investigation period. Similarly, they are often limited to only one industry, which reduces the potential to derive generalizable conclusion. Deficiencies in some of these studies are wrong application of theories and inadequacies of theories. Additionally, there is lack of adequate theoretical models that incorporate all issues within SMEs due to definitional challenge within the strategic management literature.

Most of these studies employed survey approach because it improves overtime due to constant changes in environment and policy framework. Different methodologies adopted by scholars ranging from descriptive analyses to inductive methods have generated different findings and conclusions, which have created heated debates over identifying the most appropriate method. The descriptive studies were found deficient in the aspect of methodological technique as mean and variances are only considered. Also, most scholars used chi-square test as this cannot test measure relationship and impact. Thus, scholars should consider other advanced inferential statistical instruments such as T-statistics, analysis of variance (ANOVA), etc. so as to further explain the behavioural pattern of their studies. Also, most strategic management studies used large organisations and where SMEs are considered, it was more in the developed countries, thus indicating paucity of study in developing countries.

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